The UK bridging industry is on track to provide borrowers with over £2 billion in short-term secured finance by the end of 2013, according to the latest West One Bridging Index.

Bridging loans set to outperform £2 million prediction

- *Bridging industry on track to provide £2.1 billion in gross lending over course of 2013*
- *In second quarter, gross lending already hits annualised rate of £1.97 billion*
- *Industry lending volumes up 30% in twelve months*

In the second quarter, industry gross bridging lending was £492 million, or an annualised rate of £1.97 billion. In the twelve months to June, gross bridging lending was £1.76 billion.

Annual lending has grown by 9% since the first quarter, and has grown 39% since the second quarter of 2012. At the average rate of the last 12 months, industry gross lending will total £2.1 billion in 2013.

Duncan Kreeger, director at West One Loans commented: *"Our £2 billion prediction for this year was labeled out of date when mortgage lending recovered slightly. Now it looks like an underestimate. That's because of the different culture in the bridging industry – we're not afraid of the projects that deserve real investment.*

"Rather than a dusty balance sheet of long-term mortgages, the bridging industry is financing real, practical and dynamic projects"

"Rather than maintaining a dusty balance sheet of long-term mortgages, the bridging industry is financing real, practical and dynamic projects. Where mainstream lenders are still too afraid to tread, and find themselves held back by capital adequacy rules, this industry is giving developers, landlords and small businesses the loans they need."

"In 2012, bridging provided over £1.5 billion of these loans to people who needed them. It's encouraging that the industry is on track for an even more important milestone this year. While banks are cutting costs to raise returns for their shareholders, we're investing for growth – and lapping up market share in the process."

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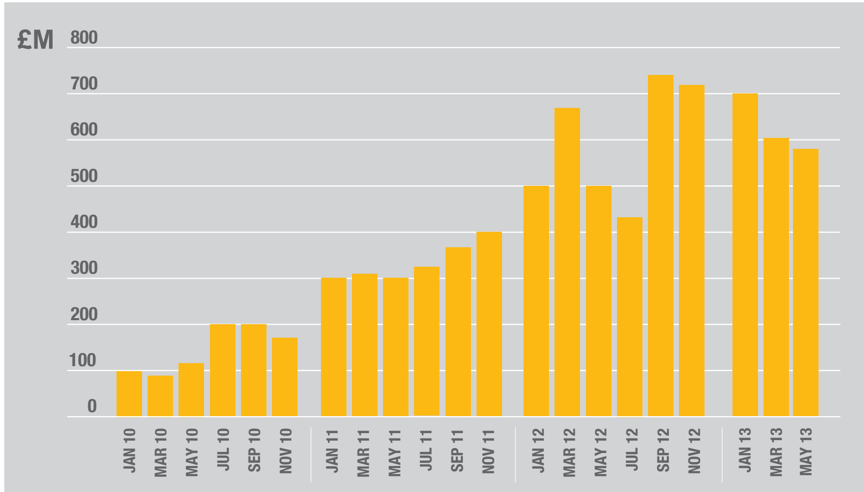
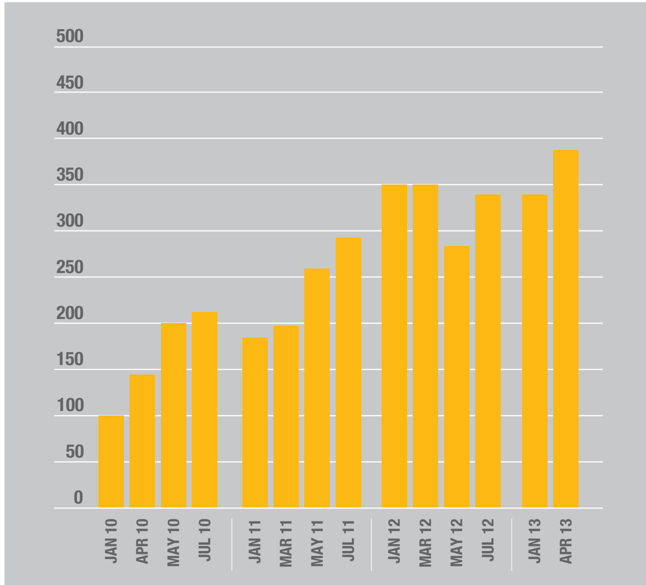
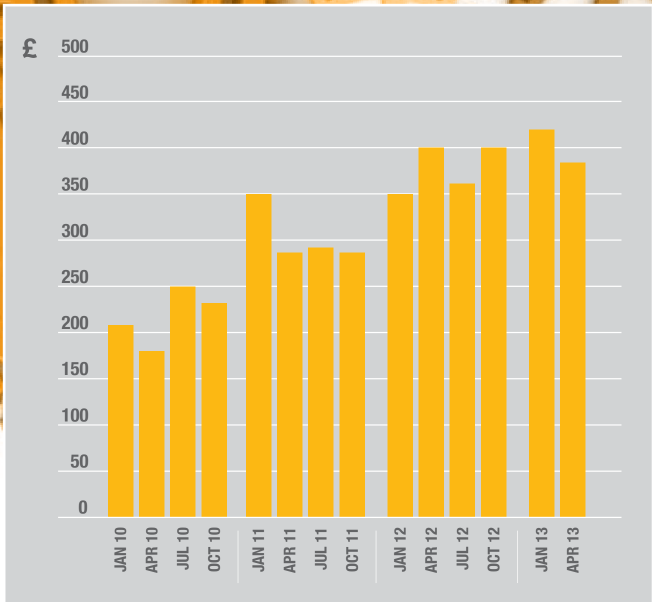
The amount lent has grown on the back of both higher volumes and larger loans. Loan volumes grew by 10.8% between the first and second quarters. On an annual basis, this puts the number of loans advanced by the industry 30.4% higher than the number of loans in Q2 2012.



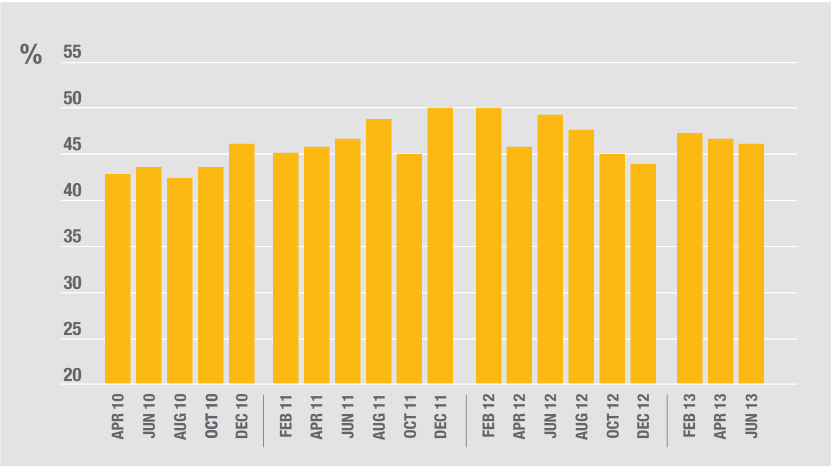
Gross Lending (3 month moving average)



Number of Loans (3 month moving average)



Average Loan Size



Loan to Value 1st Charge

Meanwhile, the size of the average bridging loan was £405,000 in Q2, compared to £397,000 three months earlier. This represents quarterly growth of 2%, leaving loans in Q2 10.1% larger than in the same three months of 2012.

Duncan Kreeger comments: *"The worst of the financial crisis could be over, but the long-term implications are only just becoming clear. SMEs are still largely ignored by high street lenders, despite having solid collateral and reliable business plans. Part of filling that gap is providing more loans – and part is lending larger ambitious amounts when required. We're doing both those things for SMEs."*

"We're stepping in where a project looks sensible, lending against the real value of a development and considering risk in individual terms"

"Meanwhile, property prices are on the rise which is great news for borrowers looking for greater returns on their equity. But property development is still at stall speed compared to normal levels, and only the plainest vanilla property developments can get finance from the high street.

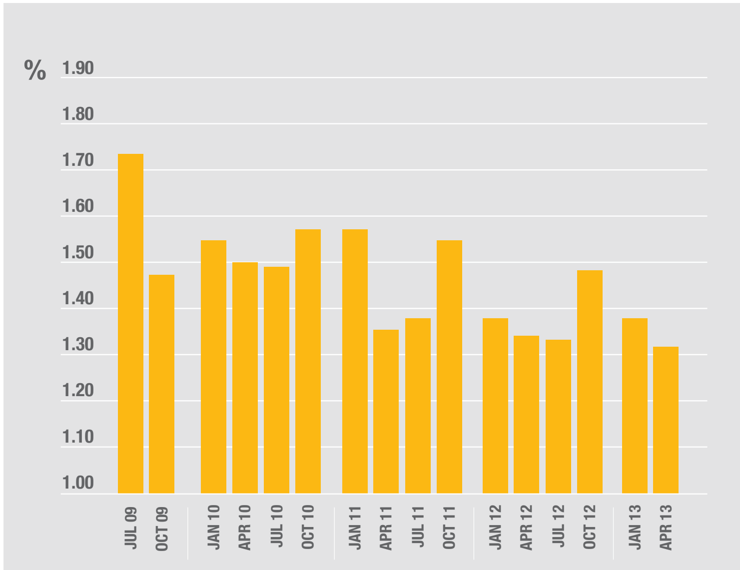
We're stepping in where a project looks sensible, lending against the real value of a development and considering risk in individual terms rather than applying a one-size-fits-all policy like the big banks.

"Making the right decision pays off for our investors, and means entrepreneurs and developers can avoid the stampede of herd mentality from the big lenders. That breathing space is helping to prevent five years of credit crunch turning into a full lost decade."

Loan-to-value ratios have continued to grow. The average loan ratio in the second quarter was 46.4%, up slightly from 46.2% in Q1. However, this still leaves average LTVs just below the 46.5% seen in Q2 last year.

Duncan Kreeger continues: *"Security allows the reach and ambition that the bridging industry exists to provide. But more reach and more ambition is always welcome when the circumstances are suitable.*

"Higher LTVs are a vote of confidence in our borrowers – their finances and their businesses. And the latest pick up in loan ratios matches the long-term trend to more of that optimism."



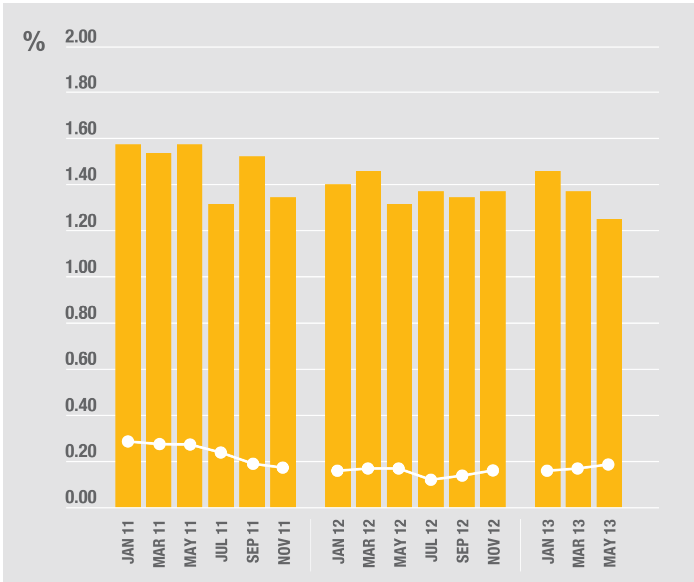
Average Loan Size

"Security allows the reach and ambition that the bridging industry exists to provide"

Interest rates in the second quarter were slightly more competitive. The average interest rate over the three month period was 1.18%, compared to 1.24% in the first three months of the year.

On an annual basis, rates are also marginally lower. In the year to June the average interest rate on a bridging loan was 1.27%, slightly lower than an average of 1.33% in the preceding twelve months.

Mark Abrahams, director at West One Loans, explains: *"Greater competition is expanding the reach and effectiveness of the bridging industry. That's good news for borrowers who need finance quickly at the best rate. But it's also good news for lenders who want to reinvest quickly, with a wider choice of potential deals."*



Loan to Value 1st Charge

Returns for investors in the bridging industry remain around six times those available from traditional ten year government bonds. This is typical of the comparison with other asset classes, for example, alternative equity investments.

Recent research by West One Loans showed bridging loan investments beating yields in the FTSE Alternative Investment Market by a factor of ten.

Mark Abrahams comments: *"It seems bonds of all types are now more volatile than previously imagined. By any measure, the bond markets are far from the safe bet they used to be. And meanwhile, equities seem to go into reverse when good economic news comes out – hardly a good investment during a recovery.*

"Worldwide, the economy is finally weaning itself off emergency government support and starting to stand on two feet. As that process accelerates, more investors will be looking to get involved in real economic activity at the coal face of the recovery, rather than squirrelling their investments away in ex-safe havens like bonds.

"The sort of SMEs we lend to will be the medium-sized to large scale companies of the next decade, while property developers are providing the premises and homes to make that recovery a reality. So it's not surprising the bridging industry is the front-line of the recovery – with peer-to-peer lenders leading the charge."

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Index Methodology

West One analyses detailed data based
on their own Management Information and industry sources to create the index. In some cases, where stated, three-month moving averages are employed to help reveal trends more clearly.

About West One Loans

West One Loans is a specialist provider of short term bridging finance for residential and commercial properties. Established in 2005, the company is now one of the biggest privately funded lenders in the UK, having completed deals in excess of £150 million to date.

The company is authorised and regulated by the FSA for unregulated collective investment schemes, a founder member of the Association of Bridging Professionals, patron of the National Association of Commercial Finance Brokers and member of the Association of Short Term Lenders.

Company registration number: 5385677

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The West One Bridging Index was launched in 2011.

In May 2013, the West One Loans Bridging Index was recognised by Wikipedia as a key measurement tool of the UK Bridging industry.